



Stockton Business & Economic

update

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Enterprise Zone Benefits Improve

Chances are if you are a business currently operating in or have considered relocating to the Stockton/San Joaquin Enterprise Zone, you are aware of the many benefits offered along with that designation.

If you are a national or international company, you probably also know that the tax credit you were able to apply in any given year was not as grand as it could have been thanks to a little word - "sales."

The difference is significant.

Before the recent changes in the law pertaining to Enterprise Zone benefits, companies had to consider worldwide sales, property, and payroll in the apportionment formula. This formula determines the level of tax credits that a company in an Enterprise Zone can claim. In the past, this penalized those companies that operated plants outside of California Enterprise Zones, thus reducing the attraction of the Zone.

Under the new law, companies that enjoy national or worldwide sales and/or production now are required to use only their California-based income, property, and payroll to determine the apportionment formula.

As an example, if company A has a production plant in a California Enterprise Zone, and a production plant in Alabama, only the sales from the California plant, the value of the property and payroll in that same plant will have an impact on the tax credit that company A could expect from the State of California. What this

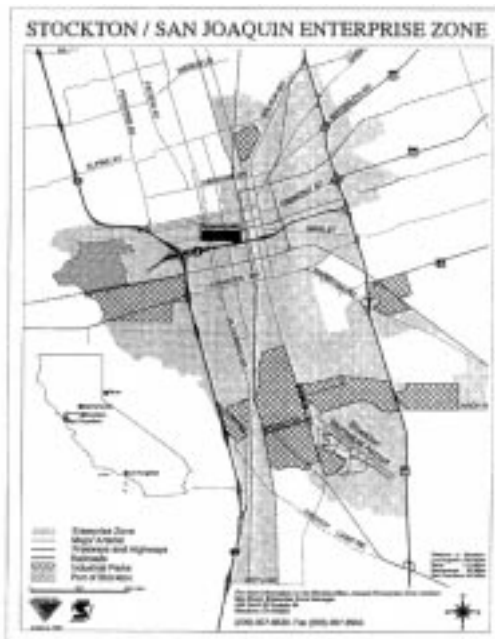
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A Closer Look...

One hears about companies winning awards all the time - to the point that the word "award" seems to have lost its significance. However, when you add the word "Toyota" to the word "award" particularly in the manufacturing field, it seems to regain its lustre.

Recently, Stockton-based AISIN ELECTRONICS, INC earned the Certificate of Achievement for Quality and Delivery from Toyota Motor Manufacturing North America, Inc, (TMMNA). Not bad after just one full year of production. "(It) is a testament to the hard work and dedication of all AEI's team members," says Katsuki Takayama, President of Aisin Electronics. We have truly benefitted from the support and the people we have been able to employ in the Stockton area through that program."

The awards are given annually to suppliers providing the highest standards in quality, delivery and value improvement. TMMNA works with approximately 500 North American suppliers.



Buzz Oates looks for a Stockton Harvest

"We like Stockton - they've been good to us."

These are the kinds of quotes that Stockton's Economic Development staff like to hear. And when they come from a developer, it takes on a whole new meaning. When that developer is Buzz Oates, its time to start talking about a raise!

For more than 20 years, Buzz Oates Enterprises has owned, developed, sold, leased and done just about everything else you can do within the realm of industrial development in Stockton - a series of decisions that has proven to be a success story for the developer and the City.

Buzz Oates Enterprises is the parent company to Buzz Oates Construction, Buzz Oates Real Estate, A & A Properties, Albaugh Ramos Mortgage Company, and a partner in a number of other property management and development companies.

So what has Buzz Oates been up to in Stockton over the last 20-or-so years? About 1,500 acres, and no less than 3 million square feet of industrial development in the south area of Stockton. All of this translates to a major investment in south Stockton.

Why south Stockton?

"Twenty or so years ago, when we first came into the area," says Mr. Oates, "most of the development , except for the Triangle and Central Valley Industrial Parks, was all in north Stockton. We saw an opportunity in the south." Starting with a few acres in south Stockton, east of Highway 99, Oates hit a road block: at the time the City line stopped at 99. This meant that the services necessary for development were not readily available. Undaunted, Oates persisted and the property was annexed into the City's General Plan.

That first project laid the groundwork for Buzz Oates' expansion in Stockton - an expansion that over twenty years has been successful for both the City and developer. Make no mistake - Buzz Oates is not investing in south Stockton out of his benevolence - there is money to be made in developing south Stockton. How much?

Oates Enterprises has over 3 million square feet leased, averaging 23 cents per square foot, and land at less than \$15,000 per acre, the math points very clearly to a successful venture in this overlooked area.



Buzz Oates growing in south Stockton, west of Hwy 99



Grupe Business Park

Stockton's Business & Economic Update

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Sowing his Oates...

Central Valley Industrial Park

Acreage: 100
 Built: 2 million s.f.
 Available for lease: 200,000 s.f.
 Land available: 40 acres

Airport Business Center

Acreage: 450
 Built: 2.5 million s.f.
 Available for lease: None
 Land available: 200 acres

Arch Road Business Park

Acreage: 330
 Built: 2 million s.f.
 Available for lease: 200,000 s.f.
 - divisible to a variety of smaller areas ranging from 7,690 - 56,858 s.f.
 Land available: 200 acres
 (phases I and II combined)

Air Metro Business Park

Acreage: 28
 Built: 100,000 s.f.
 Available for lease: 51,000 s.f.
 - divisible to smaller areas of 14,250 s.f.

El Pinal Business Park

Acreage: 67 (available)

Grupe Business Park

Acreage: 70
 Built: 130,000 s.f.
 Available for lease: 12,000 s.f.

Triangle Industrial Park

Acreage: 5.4
 Available for lease: 135,000 s.f.
 (proposed)
 Land available: 22 acres

(above figures represent Buzz Oates Enterprises interests in each development. Source: Buzz Oates Enterprises)

"The Stockton market is particularly good for us in the light industrial area - what is known as 'flex space,'" says Robert Taylor of the Central Valley office located in Stockton. Typically a project is built out and then leased, although building to a company's specifications is also an option.

Currently all of Oates' interests in Stockton are in the industrial development area, whereas his investments in the neighboring 5 states, and in particular the Sacramento market (the corporate base), are more diverse. Although there are no current plans to explore the retail markets, "we would consider the right opportunity," says Taylor. "The only thing holding us back in Stockton is manpower. We could be doing a lot more, but we want to make sure that we manage our growth in this area, and not the other way around," he adds.

So far, so good.

Enterprise Zone , continued from page 1...

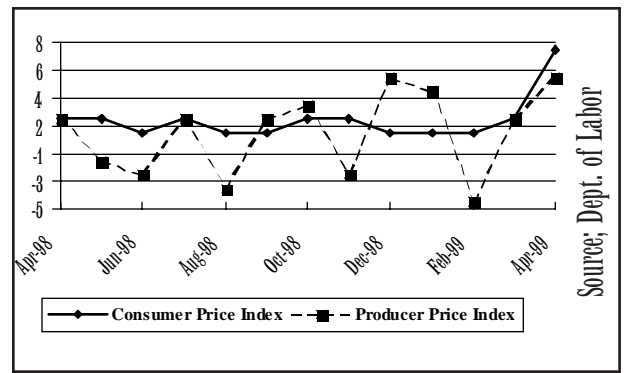
translates to is increased incentives to companies to locate their production plants in California Enterprise Zones without potentially penalizing those companies for operating plants outside of those zones.

There are other improvements in the Enterprise Zones program that you would benefit from if you are in the motion picture or computer industries. The definition of qualified property has expanded to better meet the needs of those industries which have been deemed desirable from the State's attraction and retention perspective.

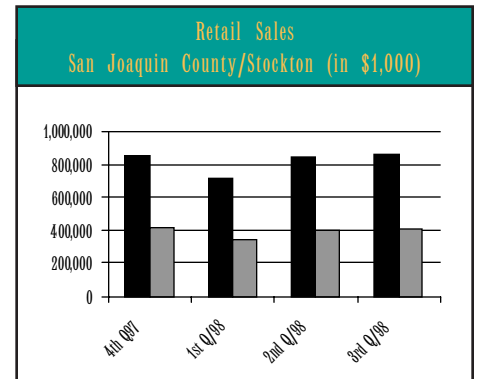
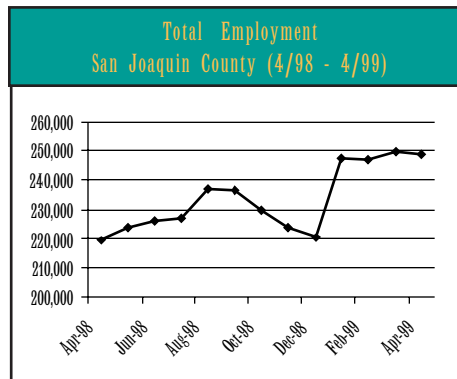
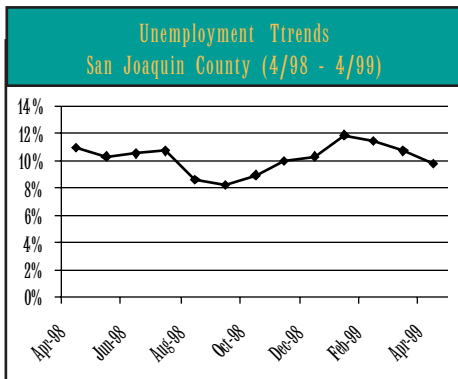
If all of this has been Greek to you, you're probably going to want to take advantage of some upcoming training on Enterprise Zone benefits that will be offered later this year. Make sure you're on the list for this training by contacting the City's Economic Development Division at 209/937-8530. In the meantime, if these changes do impact your company, and you just need a little help figuring out how to take advantage of them, call the sEconomic Development Division and ask for Bob Sivell, the City's Enterprise Zone Manager.

Local Economic Indicators

Stockton's Permit Activity	4/98 YTD	Valuation	4/99 YTD	Valuation
Single Family	229	25,477,363	362	43,330,593
Multi-Family	-	-	-	-
Additions, etc	252	3,530,288	213	1,567,293
Total	481	29,007,651	575	44,897,103
Industrial	2	16,795,908	5	5,892,103
Commercial	1	77,764	6	2,525,489
Other Non-Residential	3	1,920,749	5	1,942,200
Additions, etc	162	5,615,518	158	9,978,768
Total	168	24,409,939	174	20,338,560



Prime Rate: 7.75% (5/24/99) Source: Wall Street Journal



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